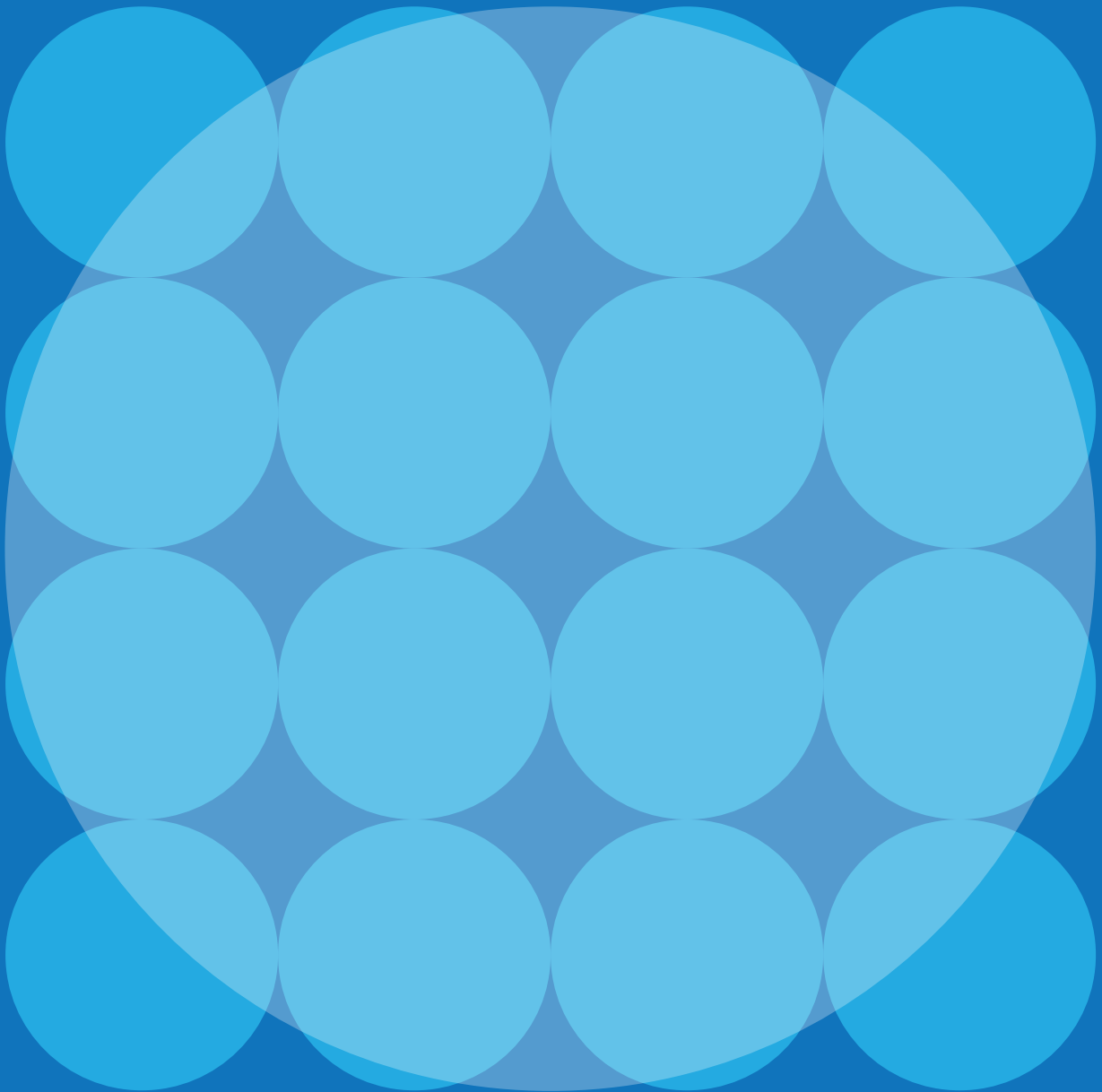


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MONITORING REPORT: **COMMITTEE ON ECONOMY, FINANCE AND BUDGET**

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INTRODUCTION

According to its Rules of Procedure¹, the Parliament of Montenegro establishes committees as its working bodies; in addition to reviewing proposals and proposing acts, the committees are responsible for conducting parliamentary oversight. Since “parliamentary oversight is an essential feature of a system of checks and balances in a democracy”², it is vital that the committees’ work be focused on a comprehensive oversight of the executive. On the other hand, the committee’s legislative function is also critical, particularly in terms of supporting informed and evidence-based discussions on the proposed legislation.

The respective competences of the standing committees are provided in the Rules of Procedure of the Parliament, which define their course of action. The committees of the 27th convocation of the Parliament were established by the Decision on the election of Chairs and members of Standing Committees³ from 17 December 2020. As stipulated in the Decision, the Parliament has 14 standing committees, each composed of a Chair and 12 members.

The oversight mechanisms available to committee members include parliamentary (consultative and control) hearings and parliamentary inquiry. Over the past decade, MPs stepped up the use of these mechanisms; however, the impact remained questionable, given the absence of monitoring of the follow-up on recommendations and conclusions. This was also noted in the European Commission 2020 Report on Montenegro.⁴

At the start of the term of the 27th convocation of the Parliament, MPs initiated amendments to more than 50 articles of the Rules of Procedure aiming to eliminate ambiguities and reinforce the oversight role of the Parliament and its committees. These amendments facilitated a more frequent use of the “minority initiative” mechanism, whereby a committee decides on running a control hearing upon a motion tabled by one-third of its members. This mechanism now allows the committees to pass the decision on a hearing twice, rather than just once during an ordinary meeting, which was the case prior to the introduction of the amendments. The process helped strengthen parliamentary oversight exercised by the committee members from the ranks of the opposition. In addition, the Rules of Procedure provide that the conclusions that follow a hearing are to be proposed by the Chair, and their implementation, following adoption, are to be monitored by the committee. The Rules of Procedure oblige relevant ministers to take

1 Rules of Procedure of the Parliament of Montenegro (Official Gazette of MNE 65/21) of 22 July 2021.

2 Global Parliamentary Report 2017: Parliamentary oversight – Parliament’s power to hold the government to account, Inter-Parliamentary Union and United Nations Development Programme, available at: <https://bit.ly/3G3B9EC>

3 Decision on the Election of the Chairs and Members of the Standing Committees of the 27th Convocation of the Parliament of Montenegro, Parliament of Montenegro, 17 December 2020.

4 Montenegro 2020 Report, the European Commission, Brussels, 06 October 2020.

part in the work of the committee if they have been designated to represent the entity introducing the proposed act - this is a novelty compared to past practice.

Given the need for strengthening the oversight role of the Parliament, and the major novelties introduced by the Rules of Procedure, this report aims to review the activities of the parliamentary committees, with a particular focus on their oversight and control functions. We focus on monitoring the work of five parliamentary committees⁵ whose remits correspond to the key programmatic areas covered by the Institute Alternative.

This monitoring report presents the findings of the analysis of the performance of the **Committee on Economy, Finance and Budget**, with a particular focus on the Committee's results in exercising its control, legislative and oversight functions. The Committee has a wide range of competencies in relation to the budget. Therefore, MPs sitting in the Committee consider the annual Draft Budget Law, amendments to the draft, as well as the Final Account of the Budget of Montenegro. The Committee also has a particularly significant "horizontal" role in providing opinions on draft laws submitted by MPs that have financial implications on the budget of Montenegro. In addition to the budget, the Committee deals with other issues in the field of economy and finance, and considers regulations related to government borrowing, entrepreneurship, investment and the like.

The findings of the analysis proceed from monitoring the work of the Committee, since its constitution on 17 December 2020 until 1 October 2021, including through monitoring of Committee meetings, consideration of minutes from the meetings, work plans and other relevant documents. In-depth interviews were conducted with the Chair⁶ and the Secretary⁷ of the Committee with the aim of verifying the information obtained through the research. The dynamics and quality of the Committee's work as well as areas for improvement were discussed in the interviews.

At the beginning of the Monitoring Report, we provide an overview of the relevant quantitative indicators that can be used to measure the Committee's performance, which is followed by an overview of the legislative activities of the Committee on Economy, Finance and Budget. The third section of the report is an analysis of the degree of implementation of obligations undertaken by the Committee, arising from systemic laws, and the fourth section is an overview of the exercise of its control function. The fifth section of the Monitoring Report analyses the administrative capacity of the Committee's Secretariat, which is followed by recommendations for improving the work of the Committee.

5 Security and Defence Committee, Anti-corruption Committee, Committee on Political System, Judiciary and Administration, Committee on Economy, Finance and Budget and Committee on Human Rights and Freedoms

6 Interview with **Vladimir Joković**, Chair of the Committee on Economy, Finance and Budget, 09/09/2021.

7 Interview with **Demir Mujević**, Secretary of the Committee on Economy, Finance and Budget, 29/09/2021.

Implementation status of 131 activities from the 2021 Work Plan of the Committee on Economy, Finance and Budget, until October 2021:

PLANNED ACTIVITIES	STATUS
I. LEGISLATIVE ACTIVITIES	
Acts in the parliamentary procedure, as outlined in the Government Work Programme for 2020, acts in the procedure that were not listed in the Government Work Programme, as well as acts submitted by MPs in 2020 and the beginning of 2021 (25 acts)	PARTIALLY IMPLEMENTED: 12 legislative proposals considered
Acts outlined in the Government Work Programme for 2021 (43 acts)	PARTIALLY IMPLEMENTED: 4 legislative proposals considered
II. ACTIVITIES PROCEEDING FROM SYSTEMIC LAWS AND OTHER ACTS	
42 reports (financial reports, annual work reports, annual situational reports)	PARTIALLY IMPLEMENTED: 9 reports considered
12 financial plans with associated work plans	PARTIALLY IMPLEMENTED: 5 financial plans considered
4 proposals for allocation of budget funds	PARTIALLY IMPLEMENTED: 2 proposals considered
4 decisions on provision of long-term lease-holding of land	NOT IMPLEMENTED
Montenegro's Fiscal Strategy for 2021 – 2024	NOT IMPLEMENTED The Government did not deliver the proposal
III. COMMITTEE'S CONTROL AND OVERSIGHT FUNCTIONS	
Consideration of the State Audit Institution's (SAI) reports in line with the Protocol on Cooperation between the Parliament and the SAI	NOT IMPLEMENTED
Monitoring of implementation of conclusions in the Parliament	NOT IMPLEMENTED
Periodical holding of control and consultative hearings in line with the Rules of Procedure of the Parliament of Montenegro	ONE CONTROL AND ONE CONSULTATIVE HEARING HELD
Election of one member of the Senate of the SAI, in line with the Law on the State Audit Institution	NOT IMPLEMENTED
Election of one member of the Council of the Central Bank of Montenegro, in line with the Law on the Central Bank of Montenegro	NOT IMPLEMENTED

COMMITTEE MEETINGS IN NUMBERS: STANDSTILL IN THE COMMITTEE LASTING OVER FOUR MONTHS

In **ten months of its activities**, the Committee on Economy, Finance and Budget met **15 times**. The total time that MPs spent at the meetings in this Committee, from its constitution until October 2021, is **one day, 20 hours and 35 minutes**. The longest meeting lasted seven hours - the control hearing of the Minister of Finance and Social Welfare at the 6th meeting of the Committee. From June 17 to the end of October 2021, i.e. for a period longer than three months, the Committee did not hold a single meeting, which indicates a significant **standstill in its operations**.

The Committee discussed **56 agenda items** in its meetings. Most items (25) were focused on legislative activities, while 16 items referred to obligations proceeding from systemic laws, such as consideration of annual reports on the work of institutions that the Committee oversees. Five items on the agenda are dedicated to the control function of the Committee, such as parliamentary hearings and monitoring the implementation of conclusions, while the rest are **current issues**.

In the Committee on Economy, Finance and Budget, the ruling parties have **seven**,⁸ while the opposition parties have **six members**.⁹

On average, **three quarters of all Committee members** attended the meetings (9.8 per meeting). It is worth mentioning that a lower level of participation of members from the parliamentary opposition was recorded, and underlining that, on average, less than half of the opposition MPs took part in the work of the Committee (2.93 per meeting). Both the parliamentary majority and opposition MPs equally used the right provided by Article 65 of the Rules of Procedure¹⁰ and **delegated their representatives to the Committee on nine occasions**.

Compared to the other four committees that are the subject of our monitoring, the meetings of the Committee on Economy, Finance and Budget were attended by a significant number of external actors. A total of **83 external actors**, representatives of state institutions and non-governmental organisations, participated in the work of the Committee in 15 meetings. However, it is important to emphasise that authorised proposers of acts are

8 **Vladimir Joković** (Socijalistička narodna partija), **Simonida Kordić**, **Dejan Đurović** (Demokratski front), **Jovanka Bogavac** (Demokratski front – PZP), **Zdenka Popović**, **Danilo Šaranović** (Demokrate – Mir je naša nacija), **Miloš Konatar** (Crno na bijelo – URA)

9 **Petar Ivanović**, **Dragica Sekulić**, **Nikola Rakočević** (Demokratska partija socijalista), **Damir Šehović** (Socijaldemokrate), **Amer Smailović** (Bošnjačka stranka), **Raško Konjević** (Socijaldemokratska partija)

10 „If Committee has no required majority to work, due to absence or inability of an individual member to attend, the absent committee member may be substituted by the Chair of the Group or member of the Group as designated by the Group who shall have the right to decide.” – Art. 65 of the Rules of Procedure of the Parliament of Montenegro

obliged to participate in the work of parent committees when considering acts within their competence, which has contributed to this figure.

PARTICIPATION OF EXTERNAL ACTORS, AND TRANSPARENCY OF THE WORK OF THE COMMITTEE

Amendments to the Rules of Procedure of the Parliament of Montenegro, introduced in December 2020, have tightened the obligations of ministers regarding the attendance of Committee meetings dedicated to consideration of legal acts within the competence of their respective departments. Accordingly, the Minister of Finance and Social Welfare, **Milojko Spajić**, took part in almost half of the meetings (seven). He brought forward legislation for discussion in six of those meetings.¹¹ One of the meetings was a control hearing of Minister Spajić.¹² The Minister of the Interior, **Sergej Sekulović**,¹³ and the Minister of Economic Development, **Jakov Milatović**,¹⁴ each took part in the work of the Committee on one occasion, as authorised proposers of pieces of legislation.

High-level representatives, directors general of a range of directorates within the Ministry of Finance and Social Welfare joined the minister for six meetings of the Committee. At the tenth meeting, the Minister of Finance and Social Welfare delegated attendance to the State Secretary, although Article 67 of the amended Rules of Procedure of the Parliament stipulates that the relevant minister is obliged to take part in the work of the Committee, which resulted in the meeting being postponed.

More than half of the external actors (44) who attended the meetings were **representatives of regulatory bodies, agencies and commissions**, whose work is subject to oversight by the Committee on Economy, Finance and Budget. The Committee reviews their work reports for the previous year, and work plans for the year ahead.

11 Draft Law on Amendments to the Law on Credit Institutions, Draft Law on Amendments to the Law on Rehabilitation of Credit Institutions, and Draft Law on Amendments to the Law on Fiscalization in Trade in Products and Services (1st meeting); Amendments to the Draft Law on Amendments to the Law on Fiscalization in Trade in Products and Services, submitted by MPs Raško Konjević and Draginja Vuksanović Stanković (2nd meeting); Draft Law on the Final Account of the Budget of Montenegro for 2019 (10th meeting); Draft Law on the Budget of Montenegro (12th meetings); Amendments to the Draft Law on Budget for 2021 (14th meeting); Amendments to the Draft Law on Budget for 2021 (15th meeting).

12 Control hearing of **Milojko Spajić**, Minister of Finance and Social Welfare, in relation to the state's recently implemented borrowing of EUR 750m, through issuance of Eurobonds in the international market (6th meeting).

13 Draft Law on Amendments to the Law on Prevention of Money Laundering and Terrorist Financing (11th meeting).

14 Draft Law on the Budget of Montenegro for 2021 (12th meeting).

In terms of noteworthy involvement of the civil society in the work of the Committee, it was only the 12th meeting of the Committee that, pursuant to Article 67 of the Rules of Procedure,¹⁵ included representatives of NGOs, trade unions, associations and other organisations.¹⁶

Broadcasting of meetings on live TV, i.e. the Parliamentary Channel, and the Parliament's YouTube channel, has contributed to an increase in transparency and greater involvement of citizens in monitoring the work of the Committee. In total, the meetings of the Committee on Economy, Finance and Budget broadcast on the Parliament's YouTube channel have **144,771** views,¹⁷ while the "most popular" video is the control hearing of the Minister of Finance and Social Welfare, with 52,207 views.

In the period covered by this report, most materials of importance to the public were published in a timely manner on the Parliament website, such as reports on the consideration of draft laws or amendments. However, a number of important materials are still not available to the public, such as the minutes of two meetings and the report of the consultative hearing on the implementation of the Law on the Conversion of Swiss Franc Denominated Loans, held six months ago, although its drafting was announced at the meeting.¹⁸

LEGISLATIVE ACTIVITIES

By October 2021, the Committee considered a total of **16 draft laws and 83 amendments**, and most of the material (51 pieces) referred to the Draft Budget Law for 2021. Three draft laws considered in this period were submitted to the Committee for an opinion on the impact of the proposed legislative solutions on the budget of Montenegro, including the Draft Law on Amendments to the Law on Primary Education; the Law on Amendments to the Law on Agriculture and Rural Development; and the Law on Amendments to the Law on Social and Child Protection.¹⁹

Although one of the Committee's competencies is to consider the fiscal impact of the proposed pieces of legislation, consideration of the three pieces of legislation did not

15 "Representatives of the Government, representatives of scientific and professional institutions, other legal entities and non-governmental organisations, as well as individual professional and scientific workers shall take part in the work of the committee, if invited, having no right to decide." Art. 67 "Participating in Committee's Meetings", Rules of Procedure of the Parliament of Montenegro ("Official Gazette of Montenegro", no. 65/12), from 22/07/2021.

16 Minutes from the 12th meeting of the Committee on Economy, Finance and Budget of the Parliament of Montenegro, held on 17 and 18/05/2021, available at: <https://bit.ly/3ET6uLL>

17 Data from the Parliament's YouTube channel, from 14/10/2021, available at: <https://bit.ly/3B5Gvvn>

18 9th meeting of the Committee on Economy, Finance and Budget, held on 15/04/2021, available at: <https://bit.ly/3maO67P>

19 4th meeting of the Committee on Economy, Finance and Budget, held on 16/02/2021, available at: <https://bit.ly/3mepdYO>

include a detailed analysis. Members of the Committee were thus unable to comment on the budgetary effects of the Draft Law on Amendments to the Law on Social and Child Protection, proposed by the parliamentary majority, due to the fact that the deadline of (a maximum of) 15 days within which the Ministry of Finance and Social Welfare was to provide opinions on the budget expenditures required for the introduction of child allowance had not expired at the time of the meeting.²⁰ The Committee's opinion states that "if the Law is adopted at the Parliament, the Government is to plan the relevant expenditure."

MPs were also somewhat inert towards assessing the effects of legislative proposals. Regarding the Draft Law on Amendments to the Law on Agriculture and Rural Development, which envisages an increase in old-age benefits for those who have spent their working life in the countryside, none of the MPs took the floor, so the opinion that "the Committee considered the draft law from the aspect of fiscal impact" was adopted without discussion.

Additionally, in the context of the Draft Law on Amendments to the Law on Primary Education, which introduces free textbooks for primary school children, most of the MPs' discussions did not concern the budgetary effects of the proposed legislation. Rather, MPs focused the discussion on the issues of meeting the housing needs of employees in education, the so-called "VIP" classes in some schools, the issue of digitization of textbooks - while the effects of the legislative proposal on the budget have not been considered in detail.

Almost forty percent of the planned legislative activities of the Committee, which were to be implemented in the current year, refer to legislative proposals from 2020.²¹ The Committee's Work Plan details that acts from this category would be considered in the first and second quarters of 2021. However, by October 2021, only **half of these acts were considered as agenda items (12)**. For example, one such proposal, which the MPs considered and adopted, is the Draft Law on Elimination of the Consequences of Confiscation of Property in the Valdanos Bay.

As for legislative proposals outlined in the Government's Work Programme for 2021, the Government planned to prepare 28 draft laws in the first three quarters of 2021, but submitted a total of 12 proposals to the parliamentary procedure in this period. On the other hand, by the end of October 2021, the Committee **considered only one third (four)** of the laws that the Government sent to the Parliament.

20 "The President of the Parliament shall forward the Bill to the Government (unless the Government is its proposer) so it would provide its opinion, within the period which may not exceed 15 days from the day of receipt of the Bill", Art. 135, para. 2 of the Rules of Procedures of the Parliament of Montenegro.

21 In its Work Plan for 2021, the Committee planned to consider 25 acts in the parliamentary procedure, which were envisaged by the Government's Work Program for 2020, followed by acts in the procedure that were not foreseen, as well as acts submitted by MPs in 2020 and early 2021; 43 acts envisaged by the Government's Work Programme for 2021.

The four proposals considered by the Committee include: the Draft Law on the Final Account of the Budget of Montenegro for 2019, the Draft Budget Law for 2021, the Draft Law on Amendments to the Law on Personal Income Tax and the Draft Law on Amendments to the Law on Value Added Tax.

The draft law that has been in the parliamentary procedure and pending consideration by the Committee for the longest period of time is the Draft Law on Amendments to the Law on Tax Administration. In mid-May 2021, i.e. **five months ago**, this proposal was submitted to the Legislative Committee and the Committee on Economy, Finance and Budget **with a recommendation that it be passed in an expedited procedure**,²² but it was not part of the agenda in the Parliament or the two committees in the observed period.

To note, one of the reasons for the lack of legislative activities in the Committee is the delay of the Government in preparing draft legislation, since, **in the observed period, it failed to prepare 16 proposals** that the Committee was to consider in the first three quarters, according to the Government Work Programme. Such draft laws include Amendments to the Law on Standardisation, the Law on Patents, the Law on Road Traffic, the Law on State Property, the Law on Consumer Protection, etc.

COMMITTEE OBLIGATIONS PROCEEDING FROM SYSTEMIC LAWS

The other half of the mandatory activities that “burden” the work of the Committee on Economy, Finance and Budget are activities proceeding from systemic laws. The Committee’s Work Plan **outlines implementation of 63 activities**, which refer to the consideration of annual reports, financial plans with work plans, proposals for requests for allocations of budget resources and the like – for institutions that are obliged to submit these materials to the Committee as their parent working body.

The Committee partially implemented activities in this area. It planned to consider 53 proposals in the first three quarters, and **managed to consider 16**. The Committee considered five proposals of financial plans with work plans for 2021, seven reports on the work of agencies for 2019 with financial reports, two status / situational reports (for the energy sector and the situation in the insurance market), as well as two draft budget proposals (the Agency for the Prevention of Corruption and the State Audit Institution).

22 Forwarding of the Draft Law on Amendments to the Law on Tax Administration to the Committee on Economy, Finance and Budget, Podgorica, May 14, 2021, number: 16-5/21-1/1, available at: <https://bit.ly/3Cc1xKi>

However, in the first three quarters of 2021, the Board failed to consider as many as 37 acts (financial reports, annual work reports, work plans), which were all obligations proceeding from the systemic laws. This number includes 12 reports that have not been submitted to the parliamentary procedure by the competent institutions. However, **as many as 26 acts submitted to the parliamentary procedure were not considered in this period.**

Such is the case with the financial reports of the Central Bank of Montenegro for 2019 and 2020, and the Report on the work of the Deposit Protection Fund for 2019, which have been in the parliamentary procedure since the end of 2020.

The work of the Committee in terms of obligations proceeding from systemic laws was characterised by short discussions, without analysis of the details contained in the reports submitted by the institutions.

Pressed by deadlines due to the scheduled meeting of another Committee in the same hall, the Committee failed to lead a quality discussion and analyse the proposals of financial plans with associated work plans of relevant agencies for 2021 at the first meeting.²³ In addition, there was no response from agency representatives to individual questions from MPs. For example, the debate on the number of employees in the Energy Regulatory Agency and Regulated Utility Services was interrupted, and the agency's representatives were asked to subsequently submit written answers to MPs', after which MPs voted on the draft financial plan with an associated work plan of the agency's operations for 2021. However, the report on the consideration of the draft financial plan does not outline if the MPs received answers to the questions at hand, and the report does not contain any conclusion to indicate a requirement that the Agency submits answers.

This and other committees have the obligation to consider the "backlog" of reports that the previous convocation did not consider in 2020 due to the COVID-19 pandemic, and due to preparations for the Parliamentary Elections, which further reduced the quality of discussion.

The Committee considered nine "legacy" reports, none of which were adopted.²⁴ However, there was no substantive discussion on the reports and room for their improvement. The

23 1st meeting of the Committee on Finance, Economy and Budget, held on 28/12/2020 available at: <https://bit.ly/3mepdYO>

24 Report on the situation in the energy sector of Montenegro in 2019, Report on the situation in the insurance market in Montenegro for 2019, Report on the work of the State Commission for Control of Public Procurement Procedures for 2019, Report on financial operations with the report on the Agency for electronic media for 2019, Report on the work of the Agency for Electronic Communications and Postal Services for 2019 with the financial report of the Agency and the report on the audit of the financial statements of the Agency for 2019, Financial report with the report on the work of the Energy Regulatory Agency for 2019, Report on the work of the Insurance Supervision Agency for 2019 with the financial report on the audit of the financial statements of the Insurance Supervision Agency for 2019, Report on the work and financial report with the Independent Auditor's Report on the audit of financial statements of the Capital Market Commission and Capital Market Statement for 2019, Report on the work of the Agency for Protection of Competition for 2019.

reports cover electronic media, competition protection, capital markets, energy, insurance markets and public procurement. The committee automatically rejected their adoption, largely without discussion and detailed consideration. Thus, during the 11th meeting of the Committee on Economy, Finance and Budget, MPs considered and rejected six out of nine reports in just one hour and 25 minutes.

Although they did not support the adoption of the reports, MPs did not explain their shortcomings or omissions in the work of these bodies, nor did they give recommendations for improving the reports and the general situation in these areas. Thus, none of the reports on the consideration of the reports submitted by regulators contains conclusions and recommendations that would address specific recommendations for improvement of the work of these bodies.

In an interview conducted for the purpose of this Monitoring Report, the Chair of the Committee explained that due to budget delays, and the postponement of discussions on the subject reports, there was not enough time to consider them. “As the reports referred to 2019, rather than the current year, with the current parliamentary majority in place, we mainly saw votes against or abstentions on those reports. This was done to enable having a regular procedure; however, as the reports did not concern the current parliamentary majority, we could exercise control,” Joković explained.²⁵

THE COMMITTEE'S CONTROL FUNCTION: LIMITED EFFECTS OF THE HEARINGS

The initiative taken by MPs for the Committee to exercise its the control function was higher in the observed period compared to other committees that we observed, such as the Anti-Corruption Committee, the Committee on Political System, Judiciary and Administration or the Committee on Human Rights. It was only the Security and Defence Committee that showed greater initiative. In this period, the parliamentary opposition launched the initiative to exercise parliamentary control through hearings or parliamentary inquiries on four occasions. Although two of the four initiatives received the support of a majority of Committee members, only one parliamentary hearing was held.

The initiative by MP **Damir Šehović**²⁶ to hold a control hearing of the Minister of Finance and Social Welfare, **Milojko Spajić**, was adopted, and the hearing was held at the sixth meeting of the Committee. This control hearing was also the only hearing held²⁷ since the establishment of the Committee until October 2021. MPs asked the minister to address

25 Interview with **Vladimir Joković**, Chair of the Committee, held on 09/09/2021.

26 Initiative no. 00-63-7/20-48

27 6th meeting of the Committee on Economy, Finance and Budget, held on 17/03/2021, available at: <https://bit.ly/3Cc1xKi>

questions related to the state borrowing of EUR 750 million, through the issuance of Eurobonds on the international market.

However, despite the “marathon” duration of the meeting, MPs actively asking questions, and the great public attention that followed the meeting - **the conclusions of the hearing were not adopted**. Although conclusions were to be adopted at the hearing, which the initiator of the hearing, MP Šehović, proposed to draft - they were not subsequently submitted. Thus, the report on the control hearing was made and sent to the Parliament for adoption without a conclusion, and the Committee did not use the control mechanisms available to it, according to the Rules of Procedure.

Additionally, although another opposition initiative for a hearing was adopted, the Committee did not react in a timely manner to organise a parliamentary hearing. The initiative of opposition MPs²⁸ to organise a consultative hearing of government officials on “Sustainability of the national airline Montenegro Airlines, in light of the government’s announced liquidation of the company”, was supported by a majority in the Committee in late December 2020, **but a hearing was not held in the observed period - until October 2021**. The Committee’s administrative service argues that the hearing in question is under procedure, while the Chair confirms that it will be held.²⁹

Additionally, a consultative hearing was held at the initiative of Swiss franc loan users, on “Implementation of the Law on the Conversion of Swiss Franc Denominated Loans (CHF) into Euros (EUR)”, but the **Committee did not prepare a report with assessments and views**, although it was announced during the meeting.

One of the initiatives that did not receive the support of the majority was put forward by MP **Raško Konjević**. The initiative referred to holding a consultative hearing on the topic of “Consideration of reducing work-related tax liabilities”. The second rejected initiative came from a group of 34 MPs, who proposed opening a parliamentary inquiry and setting up an Inquiry Committee to gather information and facts on the actions of state bodies related to Montenegro’s bond issuance of EUR 750m. MPs in the parliamentary majority who voted against the aforementioned initiatives explained that these issues would be considered through the laws that regulate the aforementioned issues, and through the control hearing of the Minister of Finance and Social Welfare that had already taken place.

28 Initiative by MPs **Nikola Rakočević, Petar Ivanović and Dragica Sekulić** (no. 00-63-7/20-51) from 28/12/2020.

29 Interview with **Vladimir Joković**, Chair of the Committee from 09/09.2021, and interview with **Demir Mujević**, Secretary of the Committee on Economy, Finance and Budget from 29/09/2021.

LACK OF SIGNIFICANT OVERSIGHT OF THE COMMITTEE OVER THE BUDGET

In the observed period, the Committee did not control the execution of the budget for 2021 to a significant degree. In order to raise the level of budget oversight and openness, we proposed that the Committee on Economy, Finance and Budget³⁰ oblige the Ministry of Finance and Social Welfare to prepare and submit reports on budget execution for the first six months of 2021. Although this report is significant in terms of insight into expenditure during the period of interim financing, the Committee on Economy, Finance and Budget did not require the Government to provide this information.

In addition, although the Committee on Economy, Finance and Budget has an important role in overseeing how the Government addresses major systemic problems identified by the State Audit Institution in its audit report on the 2019 Law on Final Account of the Budget, the Committee did not monitor the implementation of these recommendations. Namely, during the consideration of the Final Account of the Budget for 2019,³¹ the Committee adopted a conclusion which obliges the Government to monitor the implementation of all recommendations of the State Audit Institution, and to report to the Parliament of Montenegro on a quarterly basis. However, the Government of Montenegro did not report to the Parliament during the observed period, and the Committee on Economy, Finance and Budget did not insist that this information be provided.

According to the Law on the State Audit Institution, the members of the Senate are elected by the Parliament, at the proposal of the Committee on Economy, Finance and Budget. Although the Work Plan of the Committee for 2021 foresees the election of a member of the Senate, the Committee on Economy, Finance and Budget did not initiate procedures for the election of Senate members in the observed period, until October 1, 2021.

Additionally, the Government did not provide the Committee with reasons for dismissal of the Executive Director of the Public Company for Management of Marine Assets of Montenegro in March 2021, although the Law on Public Interest in Public Enterprises and Institutions³² stipulates that the Government must inform the Parliament in the instance of such actions. The Government is also to provide reasons for undertaking these measures, and the results achieved by their implementation in the protection of public interest.

30 “Stop conditioning the adoption of the Budget – our proposals of conclusions to accompany the Budget” 01/06/2021, available at: <https://bit.ly/3mRU3a7>

31 Report on consideration of the Draft Law on the Final Account of the Budget for 2019, and the Report on audit of the Draft Law on the Final Account of the Budget for 2019, and the annual report on the conducted audits and activities of the State Audit Institution in the period October 2019 – October 2020.

32 Article 7 of the Law on Public Interest in Public Enterprises and Institutions (“Official Gazette of SRMNE” no. 13/91 and 16/91 and “Official Gazette of MNE” no. 73/10).

SECRETARIAT OF THE COMMITTEE: OPTIMAL NUMBER OF EMPLOYEES

Although the Secretariat of the Committee on Economy, Finance and Budget filled five out of a total of six positions in its structure, the Secretary argued that this was the optimal number of employees necessary for it to function with no disturbance.³³ In addition to the Secretary of the Committee, in charge of coordinating activities, this working body also operates with four independent advisors who work on research and logistics in order to prepare and hold the meetings.

33 Interview with **Demir Mujević**, Secretary of the Committee on Economy, Finance and Budget from 29/09/2021.

CONCLUSION

Most of the activities of the Committee on Economy, Finance and Budget fall within the scope of its legislative function, and are driven by the numerous acts of the regulators that are in the competence of this working body. As much as 20 percent of activities planned for 2021 are legacy activities from previous years. Despite the ambitious Work Plan for 2021, the work of the Committee is faced with a standstill, bearing in mind that a meeting was not convened for three months.³⁴ Only a quarter of the planned activities were implemented in the first three quarters of 2021.

The Committee does not consider the effects that the draft laws will have on the state budget in sufficient detail. For example, none of the three draft laws, the budgetary effects of which were considered by MPs, were discussed in detail at the Committee meetings in terms of their fiscal impact. There was no detailed discussion by MPs, and the law introducing child allowance was adopted in the plenary, although the Committee on Economy, Finance and Budget did not have insight into the necessary budget expenditures for this purpose, so it could not assess the effect on the budget. Equally, the adopted law does not contain an assessment of its fiscal effects.

There are visible delays in legislative activity, bearing in mind that the Committee has not met in four months, and certain legislative proposals have been waiting for consideration and adoption for too long. The fact that the Draft Law on Amendments to the Law on Tax Administration, although sent for adoption in an expedited procedure, has been waiting for consideration for five months, speaks of the insufficient passage of government legislative proposals in the Parliament.

Additionally, in terms of obligations arising from systemic laws, the exercise of the oversight role of the Committee was lacking. Consideration of the reports of independent regulators and other supervised entities in the observed period was only a barrier to the implementation of the action plan, bearing in mind that they were considered without discussion and without reaching conclusions towards improving the work of these bodies.

Despite the acceptance of a number of opposition initiatives in the observed period, untimely implementation of those initiatives was an issue. Although the Committee decided on a consultative hearing on the sustainability of Montenegro Airlines 10 months ago, the hearing has not taken place yet. The aforementioned delay reflects the vagueness of the norms contained within the Rules of Procedure of the Parliament, which should oblige the Committee to hold a hearing, as elaborated in an initiative, within a precisely defined period of time. Otherwise, the matter of timeliness of the hearing remains contentious.

³⁴ Not taking into account August, when working bodies were not active due to annual leave.

RECOMMENDATIONS

01

Ensure that the legislative proposals submitted by MPs are accompanied by a detailed *ex ante* impact analysis, particularly in terms of a cost assessment, their justification and the overall fiscal impact;

02

Unblock the work of the Committee, and aim to place the draft laws that are in the parliamentary procedure on the agenda as soon as possible, with special emphasis on those proposals that have been sent for adoption in an expedited procedure;

03

Consideration of petitions by the Committee ought to be regulated in the Rules of Procedure of the Parliament, in a way currently defined for the Committee on Human Rights and Freedoms and the Committee on Anti-Corruption, given that the Committee on Economy, Finance and Budget received and considered petitions from citizens. The sequencing of consideration of submitted letters or petitions should be outlined in a special Ordinance. Finally, the deadlines within which the Committee is to submit a response to the submitters ought to be defined;

04

With the aim of providing adequate responses to problems in the society, and gathering information on issues that cause ambiguity in the work of state bodies, it is necessary to enable the holding of parliamentary hearings as early as possible from when they are first initiated;

05

Improve the control function of the Committee regarding its oversight over budget execution, by requesting the submission of reports on budget execution from the Government of Montenegro, as well as information on implementation of the Parliament's conclusions regarding the recommendations of the State Audit Institution;

06

Improve the control function of the Committee by ensuring that conclusions and recommendations are provided in its reports on consideration of reports that identify problems in the work of regulators and other bodies which the Committee oversees;

07

Accelerate the election process in the Senate of the State Audit Institution.

SOURCES:

- Action Plan for Strengthening the Legislative and Control Roles of the Parliament of Montenegro in 2021, Parliament of Montenegro, March 2021.
- Montenegro Report 2020, European Commission, Brussels, 06/10/2020.
- Decision on the Election of Chairs and Members of the Standing Committees of the 27th Convocation of the Parliament of Montenegro, Parliament of Montenegro, 17/12/2020.
- Work Plan of the Committee on Economy, Finance and Budget for 2021.
- Rules of Procedure of the Parliament of Montenegro (“Official Gazette of Montenegro”, no. 65/21) from 22/07/2021.
- Rulebook on the Organisation and Job Systematisation of the Service of the Parliament of Montenegro, 29/07/2021, available at: <https://bit.ly/30Dkfwl>
- Work Programme of the Government of Montenegro for 2021, Government of Montenegro, 28/04/2021, available at: <https://bit.ly/3vWRyV3>
- “For the Parliament which Interferes in its Work”, Institute Alternative, 11/03/2021, available at: <https://bit.ly/2ZhblUG>

WEB:

- Parliament of Montenegro webpage, available records from the Committee on Political System, Judiciary and Administration meetings: <https://bit.ly/311fVHL>
- Video recording of the 1st meeting: <https://bit.ly/2ZrVZgD>
- Video recording of the 3rd meeting: <https://bit.ly/2XLw5DO>
- Video recording of the 4th meeting: <https://bit.ly/3jyKf2z>
- Video recording of the 5th meeting: <https://bit.ly/3jyKf2z>
- Video recording of the 6th meeting: <https://bit.ly/3GbST0R>
- Video recording of the 7th meeting: <https://bit.ly/3C6ovm1>
- Video recording of the 8th meeting: <https://bit.ly/3vN5EKn>
- Video recording of the 9th meeting: <https://bit.ly/3maO67P>
- Video recording of the 10th meeting: <https://bit.ly/3juuiuw>
- Video recording of the 11th meeting: <https://bit.ly/3CaQb9v>
- Video recording of the 12th meeting: <https://bit.ly/3b7Tp1C>
- Video recording of the continuation of the 12th meeting: <https://bit.ly/3pslKH8>

- Video recording of the **13th meeting**: <https://bit.ly/3Gl2YIE>
- Video recording of the **14th meeting**: <https://bit.ly/2ZpzNUm>
- Video recording of the continuation of the **14th meeting**: <https://bit.ly/3GfFfb>
- Video recording of the **15th meeting**: <https://bit.ly/3pslDvc>
- Video recording of the continuation of the **15th meeting**: <https://bit.ly/3b4JzgP>
- Video recording of the second continuation of the **15th meeting**: <https://bit.ly/3pz0tNg>

IN-DEPTH INTERVIEWS:

- **Vladimir Joković**, Chair of the Committee on Economy, Finance and Budget, 09/09/2021.
- **Demir Mujević**, Secretary of the Committee on Economy, Finance and Budget, 29/09/2021.

ABOUT INSTITUTE ALTERNATIVE

Institute Alternative (IA) is a non-governmental organisation, established in September 2007 by a group of citizens with experience in civil society, public administration and business sector.

Our mission is to contribute to strengthening of democracy and good governance through and policy analysis as well as monitoring of public institutions performance.

Our objectives are to increase the quality of work, accountability and transparency, efficiency of public institutions and public officials; to encourage open, public, constructive and well-argument discussions on important policy issues; raising public awareness about important policy issues, strengthening the capacity of all sectors in the state and society for the development of public policies.

The values we follow in our work are dedication to our mission, independence, constant learning, networking, cooperation and teamwork.

We function as a think tank or a research centre, focusing on the overarching areas of good governance, transparency and accountability. The areas of our work and influence are structured around the following five main programmes: public administration; accountable public finance; parliamentary programme; security and defence, and social policy.

On the basis of our five programmes, we monitor the process of accession negotiations with the EU, actively participating in working groups Public procurement (5), Judiciary and Fundamental rights (23) and Financial control (32). Our flagship project is the Public Policy School, which is organized since 2012, and in 2018 we organized the first Open Budget School.

So far we cooperated with over 40 organisations within regional networks in the Western Balkans and with over 100 organisations in Montenegro. Institute is actively engaged in regional networks: Think for Europe (TEN), Pointpulse, SELDI, WeBER, UNCAC Coalition, Global BTAP, PASOS and The Southeast Europe Coalition on Whistleblower Protection.

The results of our research are summarised in 129 studies, reports and analyses, and the decisionmakers were addressed 1036 recommendations. Over four thousand times we communicated our proposals and recommendation to the media for better quality public policies.

We started three internet pages. My town is a pioneer endeavour of visualisation of budgetary data of local self-administrations. My Administration followed, which serves as an address for all those citizens that have encountered a problem when interacting with public administration and its service delivery system. The newest internet portal, My Money, provided national budget data visualisation.

Institute Alternative regularly publishes information about finances, projects and donors that support the work of the organisation. For this reason, the Institute have five-stars rating third year in a row, according to a survey conducted by the international non-profit organisation Transparify, which evaluates transparency for over 200 research centers.

President of the Managing Board is Stevo Muk, and our organisation currently has ten members.

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